



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
OFFICE OF THE STATE BUDGET
LANSING

MARY A. LANNOYE
DIRECTOR

March 1, 2006

The Honorable Shirley Johnson, Chair
Senate Appropriations Committee
Michigan State Senate
State Capitol
Lansing, Michigan 48901

The Honorable Scott Hummel, Chair
House Appropriations Committee
Michigan House of Representatives
State Capitol
Lansing, Michigan 48901


Dear Legislators:

Attached is the monthly financial report for the month ending December 31, 2005. This report is submitted pursuant to MCL 18.1386. This report can also be found on the Internet at the following address:

www.michigan.gov/budget under "Financial Reports."

If you have questions concerning the information in this report, please contact this office.

Sincerely,

for 
Mary A. Lannoye
State Budget Director

Attachment

cc: List attached

cc: Governor Jennifer Granholm
Ken Sikkema, Senate Majority Leader
Craig DeRoche, Speaker of the House
Bob Emerson, Senate Minority Leader
Diane Byrum, House Minority Leader
Senate Appropriations Committee
House Appropriations Committee
Nancy Cassis, Chair, Senate
Finance Committee

Fulton Sheen, House Tax Policy Committee
Rick Wiener, Executive Office
Tim Hughes, Executive Office
Senate Fiscal Agency
House Fiscal Agency
Mike Moody, Financial Management
Nancy Duncan, Deputy Director
State Budget Office
Internal Office of the State Budget
Distribution

GENERAL FUND, GENERAL PURPOSE
Fiscal Year 2006
Projected Revenues and Expenditures
December 31, 2005
(\$ in millions)

| | FISCAL 2006 |
|---|-----------------------------|
| Beginning Balance, October 1, 2005 | \$ 220.5 |
| Revenues, Current Law: | |
| Current Year GF/GP Revenues, Special August 2005 Consensus Estimate | \$ 8,212.9 |
| Adjustments to Consensus Baseline | \$ - |
| Additional Revenue Adjustments: | |
| Revenue Sharing Freeze (PA 196 of 2005 and Special August 2005 Consensus) | \$ 377.8 |
| Suspend County Revenue Sharing (PA 356 and 357 of 2004) | \$ 182.3 |
| Cap Interfund Borrowing Rates | \$ 20.0 |
| Non-Use of SBT Pharmaceutical Credit | \$ 10.0 |
| Escheats Revenue | \$ 10.0 |
| Enhanced Tax Enforcement | \$ 24.6 |
| Financial Institutions Fund Revenue Deposit to GF | \$ 15.0 |
| Interest Earnings - Tobacco Securitization (PA 226 of 2005) | \$ 12.0 |
| Manufacturers' Tax Cuts (PA 289 through PA 296 of 2005) | \$ (103.9) |
| Subtotal | \$ 8,981.2 |
| Anticipated Revenue Adjustments: | |
| Land Sales (HB 5114) | \$ 60.0 |
| Reduce Sales Tax to Comprehensive Transportation Fund; deposit to GF (SB 839) | \$ 11.1 |
| Agriculture Equine Industry Development Fund Revenue Deposit to GF (SB 837) | \$ 2.0 |
| Rezonementation Fund Revenue Deposit to GF (pending legislation) | \$ 15.0 |
| State Services Fee Fund Deposit to GF (pending legislation) | \$ 6.0 |
| Subtotal Anticipated Revenue Adjustments | \$ 94.1 |
| Total FY Resources Available For Expenditure GF/GP | 9,075.3 |
| Expenditures, Current Law: | |
| Enacted Post Vetoes | \$ 8,975.7 |
| Enacted Supplemental (PA 226 of 2005) | \$ 1.0 |
| Enacted Supplemental (PA 297 of 2005) | \$ 4.9 |
| Total Expenditures Projected | \$ 8,981.6 |
| Projected Ending Balance, September 30, 2006 | \$ 93.7 ¹ |

¹ Subsequent to the date of this report, the general fund revenue estimates were revised at the January 2006 revenue estimating conference. On February 9, 2006, the Governor requested fiscal year 2006 supplemental appropriations and issued her fiscal year 2007 Executive Budget recommendation. As a result of those actions, the fiscal year 2006 general fund ending balance is now estimated to be \$79.8 million.

OFFICIAL BALANCE SHEET

SCHOOL AID FUND Fiscal Year 2006 Projected Revenues and Expenditures December 31, 2005 (\$ in millions)

| | FISCAL 2006 |
|---|-----------------------------|
| Beginning Balance, October 1, 2005 | \$ 93.7 |
| Current Year School Aid Fund Revenues, August 2005 Consensus | \$ 11,233.1 |
| Adjustments to Consensus Baseline | |
| Payment in Lieu of Taxes (PA 513 of 2004) | \$ (2.0) |
| Increased Keno Licensing | \$ 13.0 |
| Enhanced Tax Auditing | \$ 9.5 |
| FY04 Audit Receivables Adjustments | \$ 3.0 |
| Subtotal, School Aid Fund, Current Year Direct Resources | \$ 11,256.6 |
| School Bond Loan Revolving Fund | \$ 44.5 |
| General Fund Subsidy | \$ 62.7 |
| | \$ 107.2 |
| Federal Aid | \$ 1,392.6 |
| Total Available SAF Resources | \$ 12,850.1 |
| Expenditures | |
| Enacted Appropriations PA 155 of 2005 | \$ 12,757.2 |
| Adjusted Appropriations | \$ 12,757.2 |
| Projected School Aid Fund Ending Balance September 30, 2006 | \$ 92.9 ¹ |

¹ Subsequent to the date of this report, school aid fund revenue estimates were revised at the January 2006 revenue estimating conference. In addition, the Governor requested fiscal year 2006 supplemental appropriations and issued her fiscal year 2007 Executive Budget recommendation. As a result of these actions, the fiscal year 2006 school aid fund ending balance is now estimated to be \$80.2 million.

SUMMARY OF EXPENDITURES AND ENCUMBRANCES GENERAL FUND GROSS

December 31, 2005

(\$ IN MILLIONS)

FISCAL YEAR 2004-05

FISCAL YEAR 2005-06

| December 2004 | Yr-to-date 2004-05 | Fiscal Yr end SEP 30, 2005 | DEPARTMENT | Initial Approp | Exec. Orders and Supplem. Approp.* | Exp & Enc December 2005 | Exp & Enc Yr-to-date 2005-06 |
|------------------|-----------------------|----------------------------------|-------------------------|-------------------|--|-------------------------------|------------------------------------|
| 9.2 | 25.3 | 93.6 | Agriculture | 119.2 | 0.0 | 8.4 | 23.1 |
| 6.8 | 13.9 | 57.4 | Attorney General | 63.8 | 0.0 | 7.0 | 14.2 |
| 20.4 | 71.9 | 291.2 | Capital Outlay | 0.0 | 0.0 | 21.3 | 68.8 |
| 1.6 | 3.0 | 12.3 | Civil Rights | 13.2 | 0.0 | 1.5 | 3.0 |
| 2.4 | 6.0 | 25.3 | Civil Service | 35.9 | 0.0 | 2.4 | 5.3 |
| 199.9 | 582.5 | 1,909.7 | Colleges & Universities | 1,868.8 | 0.0 | 160.0 | 519.4 |
| 349.0 | 2,370.0 | 9,808.9 | Community Health | 10,203.9 | 0.0 | 524.4 | 2,249.9 |
| 183.4 | 421.7 | 1,682.4 | Corrections | 1,841.3 | 0.0 | 186.9 | 430.6 |
| 5.8 | 31.2 | 78.8 | Education | 101.1 | 0.0 | 10.4 | 24.5 |
| 25.7 | 42.6 | 178.5 | Environmental Quality | 410.5 | 0.0 | 26.8 | 43.4 |
| 0.6 | 1.3 | 5.0 | Executive Office | 5.4 | 0.0 | 0.6 | 1.2 |
| 4.3 | 10.4 | 53.9 | History, Arts & Library | 53.2 | 0.0 | 2.6 | 10.0 |
| 252.5 | 908.8 | 3,929.5 | Human Services | 4,423.9 | 0.0 | 256.3 | 928.4 |
| 0.0 | 0.0 | 0.0 | Information Technology | 0.0 | 0.0 | 0.0 | 0.0 |
| 22.6 | 37.4 | 207.0 | Judiciary | 255.4 | 0.0 | 20.3 | 40.2 |
| 57.8 | 129.8 | 719.9 | Labor & Economic Growth | 862.6 | 0.0 | 60.0 | 144.2 |
| 13.8 | 31.6 | 131.2 | Legislature | 129.7 | 0.0 | 14.5 | 32.0 |
| 13.4 | 39.9 | 151.9 | Management & Budget | 169.8 | 9.9 | 13.2 | 40.3 |
| 9.7 | 29.4 | 102.6 | Military Affairs | 111.6 | 0.0 | 10.9 | 29.9 |
| 16.8 | 21.8 | 74.4 | Natural Resources | 95.8 | 0.0 | 14.5 | 25.1 |
| 0.0 | 0.0 | 0.0 | School Aid | 0.0 | 0.0 | 0.0 | 0.0 |
| 17.1 | 45.9 | 215.3 | State | 197.4 | 0.0 | 18.7 | 58.2 |
| 39.7 | 82.0 | 427.4 | State Police | 550.8 | 12.3 | 46.6 | 99.7 |
| 0.0 | 0.0 | 0.0 | Transportation | 0.0 | 0.0 | 0.0 | 0.0 |
| 233.0 | 525.8 | 1,528.7 | Treasury | 1,794.2 | 53.4 | 220.5 | 584.3 |
| \$1,485.5 | \$5,432.2 | \$21,684.9 | | \$23,307.6 | \$75.6 | \$1,627.8 | \$5,375.7 |

*Includes boilerplate appropriations.

ESTIMATED BALANCE OF STATE PAYMENTS TO LOCAL UNITS OF GOVERNMENT

Fiscal Year 2006
December, 2005
(\$ IN MILLIONS)

| | INITIAL APPROPRIATIONS | EXEC. ORDER and SUPPLEMENTALS | TOTAL APPROPRIATIONS YEAR-TO-DATE |
|--|---------------------------|-------------------------------------|---|
| Payments to local units of government | 15,734.5 | 0.0 | 15,734.5 |
| Total state spending from state resources | 27,094.4 | 396.5 | 27,490.9 |
| Percentage of state spending from state resources paid to local units | 58.07% | | 57.24% |
| Required payments to local units (48.97%) | 13,268.1 | | 13,462.3 |
| Surplus/(deficit) | \$2,466.4 | | \$2,272.2 |

STATE OF MICHIGAN
YEAR-TO-DATE STATEMENT OF REVENUES AND EXPENDITURES
COUNTER - CYCLICAL BUDGET AND ECONOMIC STABILIZATION FUND
OCTOBER 1, 2005 THROUGH DECEMBER 31, 2005

REVENUES

| | | |
|-----------------------|----|---------|
| Taxes | \$ | - |
| From federal agencies | | - |
| Miscellaneous | | - |
| | | <hr/> |
| Total Revenues | | <hr/> - |

EXPENDITURES

| | | |
|---------------------------------|--|---------|
| Current: | | |
| General government | | - |
| Education | | - |
| Family Independence services | | - |
| Public safety and corrections | | - |
| | | <hr/> |
| Total Expenditures | | <hr/> - |
| Excess of Revenues over (under) | | |
| Expenditures | | <hr/> - |

OTHER FINANCING SOURCES (USES)

| | | |
|--|----|----------------------------|
| Proceeds from Bond Issues | | - |
| Operating transfers from: | | |
| State Lottery Fund | | - |
| Other funds | | - |
| | | <hr/> |
| Total operating transfers from other funds | | - |
| Operating transfers to other funds | | <hr/> - |
| | | <hr/> |
| Total Other Financing Sources (Uses) | | <hr/> - |
| Excess of Revenues and Other | | |
| Sources over (under) Expenditures | | |
| and Other Uses | \$ | <hr/> <hr/> - ¹ |

STATE OF MICHIGAN
YEAR-TO-DATE STATEMENT OF REVENUES AND EXPENSES
MICHIGAN STRATEGIC FUND
OCTOBER 1, 2005 THROUGH DECEMBER 31, 2005

OPERATING REVENUES

| | |
|--------------------------|------------|
| Operating revenues | \$ - |
| Interest income | - |
| Investment revenue (net) | - |
| Miscellaneous: | |
| Federal revenues | - |
| Program fees | 418 |
| Other | - |
| Total miscellaneous | <u>418</u> |
| Total Operating Revenues | <u>418</u> |

OPERATING EXPENSES

| | |
|---|------------|
| Salaries, wages, and other administrative | - |
| Interest expense | - |
| Depreciation | - |
| Purchases for resale | - |
| Other operating expenses: | |
| Loan loss expense | - |
| Tuition benefit expense | - |
| Amortization of deferred issue costs | - |
| Miscellaneous | - |
| Total other operating expenses | <u>-</u> |
| Total Operating Expenses | <u>-</u> |
| Operating Income (Loss) | <u>418</u> |

NONOPERATING REVENUES (EXPENSES)

| | |
|--|------------|
| Federal grant revenue | <u>-</u> |
| Interest revenue | - |
| Other nonoperating revenues: | |
| Tribal gaming revenue | - |
| Other nonoperating revenue | - |
| Total other nonoperating revenues | <u>-</u> |
| Nonoperating grants | - |
| Interest expense | - |
| Other nonoperating expense | - |
| Total Nonoperating Revenues (Expenses) | <u>-</u> |
| Income (Loss) Before Operating Transfers | <u>418</u> |

OPERATING TRANSFERS

| | |
|---|----------------------------|
| Operating transfers from primary government | - |
| Operating transfers to primary government | <u>(304)</u> |
| Total Operating Transfers In (Out) | <u>(304)</u> |
| Net Income (Loss) | <u>\$ 115 ¹</u> |

¹ Balance does not reflect closing adjustments such as accounts receivable, accounts payable, etc.

STATE OF MICHIGAN
YEAR-TO-DATE STATEMENT OF REVENUES AND EXPENDITURES
MICHIGAN NATURAL RESOURCES TRUST FUND
OCTOBER 1, 2005 THROUGH DECEMBER 31, 2005

REVENUES

| | |
|---------------------------|---------------|
| Taxes | \$ - |
| From federal agencies | - |
| From licenses and permits | - |
| Miscellaneous | <u>24,905</u> |
| Total Revenues | <u>24,905</u> |

EXPENDITURES

| | |
|---|---------------|
| Current: | |
| General government | - |
| Conservation, environment, recreation, and agriculture | 625 |
| Capital outlay | <u>6,158</u> |
| Total Expenditures | <u>6,783</u> |
| Excess of Revenues over (under) Expenditures | <u>18,122</u> |

OTHER FINANCING SOURCES (USES)

| | |
|---|-------------------------------|
| Proceeds from bond issues | - |
| Proceeds from sale of capital assets | 90 |
| Operating transfers from other funds | - |
| Operating transfers to other funds | <u>(6,669)</u> |
| Total Other Financing Sources (Uses) | <u>(6,579)</u> |
| Excess of Revenues and Other Sources over (under) Expenditures and Other Uses | <u>\$ 11,543 ¹</u> |

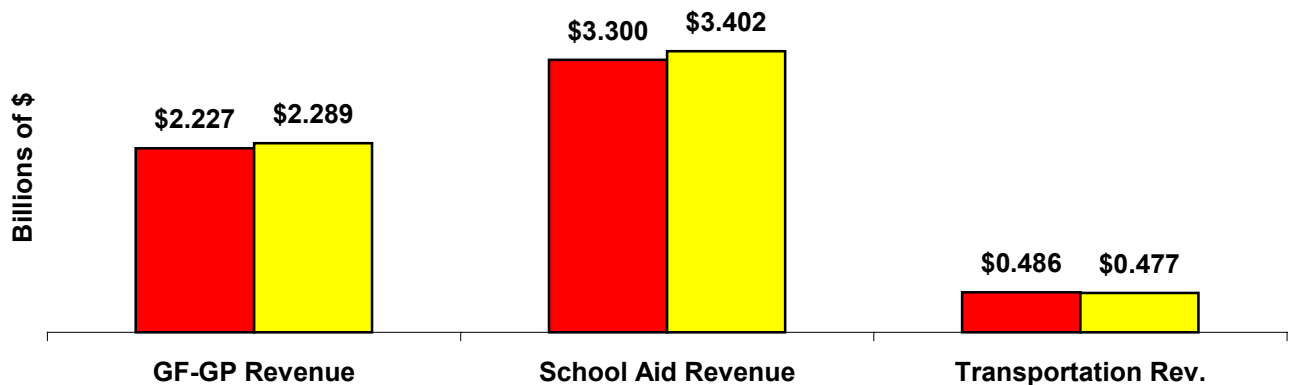
REVENUE OVERVIEW
Economic and Revenue Forecasting Division
Michigan Department of Treasury

This Monthly Financial Report to the Legislature presents the Michigan State government's economic situation and cash collections for December 2005, representing some November and some December economic activity in Michigan.

Total General Fund - General Purpose cash collections were \$65.9 million (8.5 percent) lower in December 2005 than in December 2004. December School Aid Fund cash collections were \$2.4 million (0.3 percent) lower than in December 2004. December transportation collections were \$1.2 million (0.8 percent) higher than in December 2004 (see revenue table). December is the third month of the state's fiscal year. Year-to-date collection totals generally provide a more accurate view of collections, since they are less affected by the timing of payments. Year-to-date General Fund - General Purpose cash collections are up \$61.8 million (2.8 percent) from a year ago. School Aid Fund cash collections are up \$102.5 million (3.1 percent), and transportation collections are down \$9.7 million (2.0 percent).

The FY 2005-2006 revenue projections presented in the revenue table on page 10 are from the Consensus Revenue Estimating Conference held on January 12, 2006. The Consensus estimate for net General Fund – General Purpose revenue for FY 2005-2006 is \$8,207.8 million and the net School Aid revenue forecast is \$11,230.9 million. The Transportation Funds revenue forecast is \$2,249.8 million. The revenue projections for each tax are shown after all tax adjustments. The next regularly scheduled revenue conference will be held in May 2006.

**October through December Collections
Fiscal Years 2004-05 and 2005-06**



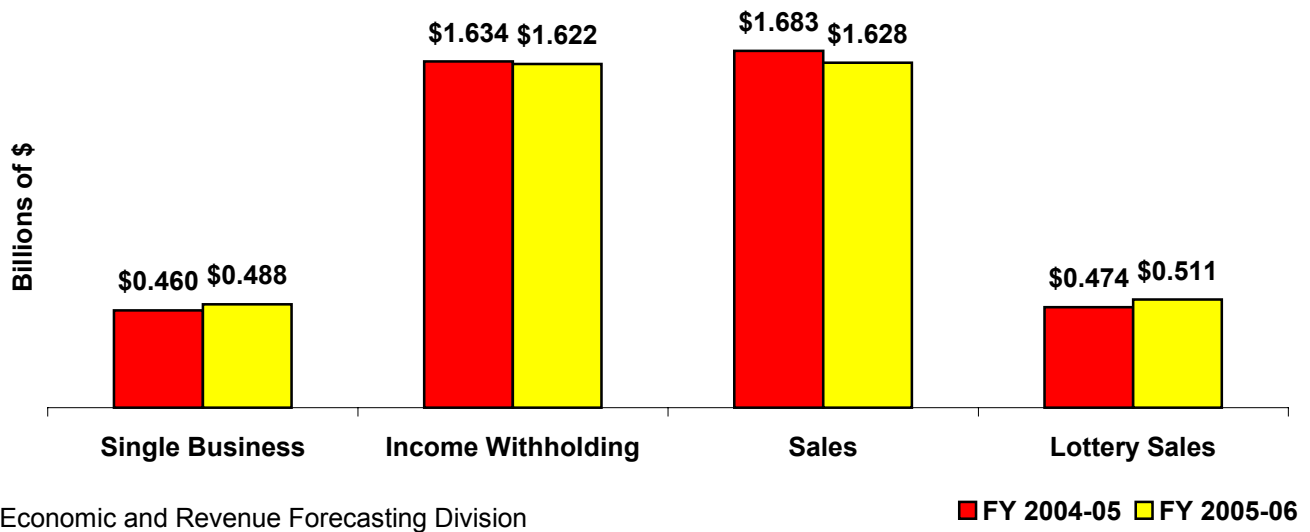
Economic and Revenue Forecasting Division

■ FY 2004-05 ■ FY 2005-06

December Revenue Collections Fiscal Years 2004-05 and 2005-06



October through December Collections Fiscal Years 2004-05 and 2005-06



Revenue Summary 2005-06
General Fund-General Purpose, School Aid, and Transportation Funds
(in thousands)

For The Month Ended: December 31, 2005

| MONTH-END CASH COLLECTIONS DATA | | | | OCTOBER THROUGH DECEMBER CASH COLLECTIONS DATA | | | | | | REVENUE PROJECTIONS | | |
|---------------------------------|-----------|------------|---------|--|--------------|-------------|------------|---------|---------------|---------------------|--------------------|--|
| December | | Difference | | SOURCE OF REVENUE | Year-to-Date | | Difference | | 2004-2005 | 2005-2006 | 2005-2006 | |
| 2004 | 2005 | Amount | Percent | | 2004-05 | 2005-06 | Amount | Percent | Actual Totals | Statutory Estimate | Jan 2006 Consensus | |
| | | | | | | | | | | | | |
| Income Taxes | | | | | | | | | | | | |
| \$567,065 | \$553,521 | (\$13,544) | -2.4% | Withholding | \$1,633,887 | \$1,622,396 | (\$11,492) | -0.7% | \$6,427,400 | \$6,607,100 | \$6,556,600 | |
| 65,804 | 74,254 | 8,451 | 12.8% | Quarterlies | 79,001 | 88,375 | 9,374 | 11.9% | 643,000 | 670,100 | 670,000 | |
| 9,617 | 10,175 | 558 | 5.8% | Annuals | 35,634 | 39,897 | 4,263 | 12.0% | 648,600 | 624,200 | 640,100 | |
| 642,486 | 637,951 | (4,535) | -0.7% | Gross Collections | 1,748,523 | 1,750,668 | 2,145 | 0.1% | \$7,719,000 | \$7,901,400 | \$7,866,700 | |
| 21,721 | 22,728 | 1,007 | 4.6% | Less: Refunds | 81,165 | 69,339 | (11,826) | -14.6% | 1,610,800 | 1,725,000 | 1,696,000 | |
| 0 | 0 | 0 | na | State Campaign Fund | 0 | 0 | 0 | na | 1,500 | 1,500 | 1,500 | |
| 620,765 | 615,222 | (5,542) | -0.9% | Net Personal Income | 1,667,358 | 1,681,329 | 13,971 | 0.8% | \$6,106,700 | \$6,174,900 | \$6,169,200 | |
| 160,622 | 165,867 | 5,246 | 3.3% | Less: Disbursements to SAF | 437,131 | 455,174 | 18,043 | 4.1% | \$1,985,600 | \$2,051,000 | \$2,041,400 | |
| \$460,143 | \$449,355 | (\$10,788) | -2.3% | NET PERSONAL INCOME TO GF-GP | \$1,230,227 | \$1,226,155 | (\$4,072) | -0.3% | \$4,121,100 | \$4,123,900 | \$4,127,800 | |
| Consumption Taxes | | | | | | | | | | | | |
| \$8,357 | \$6,227 | (\$2,130) | -25.5% | Sales (a) | \$23,715 | \$19,668 | (\$4,048) | -17.1% | \$99,200 | \$114,700 | \$105,300 | |
| 82,978 | 71,515 | (11,464) | -13.8% | Use | 223,992 | 224,341 | 349 | 0.2% | 934,700 | 963,600 | 961,500 | |
| 9,691 | 19,065 | 9,374 | 96.7% | Tobacco | 29,901 | 58,769 | 28,868 | 96.5% | 116,500 | 228,100 | 231,300 | |
| 3,866 | 3,931 | 65 | 1.7% | Beer, Wine & Mixed Spirits | 12,096 | 11,937 | (159) | -1.3% | 51,000 | 52,500 | 52,000 | |
| 2,903 | 2,978 | 75 | 2.6% | Liquor Specific | 5,663 | 5,645 | (18) | -0.3% | 33,600 | 34,000 | 34,000 | |
| \$107,795 | \$103,714 | (\$4,080) | -3.8% | TOTAL CONSUMPTION TAXES | \$295,366 | \$320,359 | \$24,993 | 8.5% | \$1,234,900 | \$1,392,900 | \$1,384,100 | |
| Other Taxes | | | | | | | | | | | | |
| \$120,164 | \$105,546 | (\$14,618) | -12.2% | Single Business | \$460,193 | \$488,158 | \$27,965 | 6.1% | \$1,913,500 | \$1,913,800 | \$1,817,900 | |
| 1,860 | 1,625 | (235) | -12.7% | Insurance Premiums Taxes | 52,827 | 56,863 | 4,035 | 7.6% | 249,500 | 240,000 | 255,000 | |
| 122,024 | 107,171 | (14,853) | -12.2% | Sub-total SBT & Insurance | 513,020 | 545,020 | 32,000 | 6.2% | 2,163,000 | 2,153,800 | 2,072,900 | |
| 3,435 | 82 | (3,353) | -97.6% | Inheritance / Estate | 8,958 | 513 | (8,445) | -94.3% | 101,500 | 8,000 | 5,000 | |
| 33,531 | 623 | (32,909) | -98.1% | Telephone & Telegraph | 45,716 | 46,432 | 716 | 1.6% | 99,100 | 81,300 | 83,000 | |
| 6,549 | 7,703 | 1,153 | 17.6% | Oil & Gas Severance | 14,880 | 25,305 | 10,425 | 70.1% | 66,700 | 60,000 | 84,000 | |
| 3,271 | 3,662 | 391 | 12.0% | Casino Wagering | 6,828 | 11,034 | 4,207 | 61.6% | 42,200 | 43,100 | 43,200 | |
| 7,352 | 7,021 | (331) | -4.5% | Penalties & Interest | 26,453 | 31,942 | 5,489 | 20.8% | 142,500 | 108,000 | 145,700 | |
| 74 | 53 | (21) | -28.9% | Miscellaneous Other/Railroad | 223 | 138 | (85) | -38.2% | 1,200 | 0 | 0 | |
| (6,667) | (6,667) | 0 | 0.0% | Treasury Enforcement Programs | (20,000) | (20,000) | 0 | 0.0% | (91,200) | (80,000) | (92,000) | |
| \$169,570 | \$119,648 | (\$49,922) | -29.4% | TOTAL OTHER TAXES | \$596,077 | \$640,385 | \$44,307 | 7.4% | \$2,525,000 | \$2,374,200 | \$2,341,800 | |
| \$737,508 | \$672,718 | (\$64,790) | -8.8% | SUBTOTAL GF-GP TAXES | \$2,121,671 | \$2,186,899 | \$65,229 | 3.1% | \$7,881,000 | \$7,891,000 | \$7,853,700 | |

continued

Revenue Summary 2005-06
General Fund-General Purpose, School Aid, and Transportation Funds
(in thousands)

For The Month Ended: December 31, 2005

| MONTH-END CASH COLLECTIONS DATA | | | | OCTOBER THROUGH DECEMBER CASH COLLECTIONS DATA | | | | | REVENUE PROJECTIONS | | |
|---------------------------------|-----------|------------|---------|--|--------------|-------------|------------|----------|---------------------|--------------|--------------|
| December | | Difference | | SOURCE OF REVENUE | Year-to-Date | | Difference | | 2004-2005 | 2005-2006 | 2005-2006 |
| 2004 | 2005 | Amount | Percent | | 2004-05 | 2005-06 | Amount | Percent | Actual | Statutory | Jan 2006 |
| Totals | | | | | | | | | | | |
| Estimate | | | | | | | | | | | |
| Consensus | | | | | | | | | | | |
| Non-Tax Revenue(h) | | | | | | | | | | | |
| \$2,917 | \$2,917 | \$0 | 0.0% | Federal Aid | \$8,750 | \$8,750 | \$0 | 0.0% | \$35,700 | \$35,000 | \$35,000 |
| 167 | 167 | 0 | 0.0% | Local Agencies | 500 | 500 | 0 | 0.0% | 300 | 2,000 | 2,000 |
| 1,500 | 1,500 | 0 | 0.0% | Services | 4,500 | 4,500 | 0 | 0.0% | 19,800 | 18,000 | 18,000 |
| 4,500 | 4,500 | 0 | 0.0% | Licenses & Permits | 13,500 | 13,500 | 0 | 0.0% | 27,400 | 54,000 | 34,000 |
| 0 | 0 | 0 | na | Investments/Interest Costs | 0 | 0 | 0 | na | (54,400) | (85,000) | (70,000) |
| 9,433 | 10,375 | 942 | 10.0% | Misc. Non-tax Revenue | 28,300 | 31,125 | 2,825 | 10.0% | 135,100 | 124,500 | 144,600 |
| 11,333 | 11,167 | (167) | -1.5% | Liquor Purchase Revolving Fund | 34,000 | 33,500 | (500) | -1.5% | 142,200 | 134,000 | 140,000 |
| 5,192 | 3,275 | (1,917) | -36.9% | From Other Funds-Lottery & Escheats | 15,575 | 9,825 | (5,750) | -36.9% | 111,700 | 39,300 | 50,500 |
| \$35,042 | \$33,900 | (\$1,142) | -3.3% | TOTAL NON-TAX REVENUE | \$105,125 | \$101,700 | (\$3,425) | -3.3% | \$417,800 | \$321,800 | \$354,100 |
| | | | | | | | | | | | |
| \$772,550 | \$706,618 | (\$65,932) | -8.5% | TOTAL GF-GP REVENUE | \$2,226,796 | \$2,288,599 | \$61,804 | 2.8% | \$8,298,900 | \$8,212,900 | \$8,207,800 |
| | | | | | | | | | | | |
| School Aid Fund | | | | | | | | | | | |
| \$235,924 | \$217,192 | (\$18,732) | -7.9% | Sales Tax 4% | \$685,789 | \$667,582 | (\$18,207) | -2.7% | 2,690,000 | 2,814,800 | 2,774,900 |
| 186,079 | 163,687 | (22,391) | -12.0% | Sales Tax 2% | 539,911 | 515,259 | (24,652) | -4.6% | 2,115,700 | 2,213,600 | 2,174,900 |
| 41,489 | 35,757 | (5,732) | -13.8% | Use Tax 2% | 111,996 | 112,170 | 175 | 0.2% | 467,600 | 481,800 | 480,800 |
| 58,512 | 76,144 | 17,633 | 30.1% | State Education Property Tax | 1,121,540 | 1,233,494 | 111,953 | 10.0% | 1,914,500 | 1,956,900 | 2,010,000 |
| 22,363 | 30,182 | 7,819 | 35.0% | Real Estate Transfer Tax | 84,716 | 85,894 | 1,178 | 1.4% | 313,500 | 316,000 | 310,000 |
| 50,000 | 75,579 | 25,579 | 51.2% | Lottery Transfer (d) | 109,883 | 130,579 | 20,697 | 18.8% | 667,600 | 654,300 | 685,000 |
| 7,569 | 8,475 | 905 | 12.0% | Casino Wagering Tax | 15,802 | 25,537 | 9,735 | 61.6% | 97,600 | 99,700 | 100,000 |
| 2,889 | 2,955 | 66 | 2.3% | Liquor Excise Tax | 5,570 | 5,591 | 21 | 0.4% | 33,100 | 34,000 | 34,000 |
| 38,859 | 38,704 | (155) | -0.4% | Cigarette/Tobacco Tax | 119,898 | 119,310 | (589) | -0.5% | 472,700 | 463,100 | 469,800 |
| 18,507 | 3,860 | (14,647) | -79.1% | Indus. & Comm. Facilities Taxes | 65,688 | 47,901 | (17,787) | -27.1% | 138,200 | 133,000 | 136,000 |
| 282 | 2,292 | 2,010 | 713.0% | Specific Other | 1,672 | 3,559 | 1,886 | 113.0% | 13,600 | 14,800 | 14,100 |
| 160,622 | 165,867 | 5,246 | 3.3% | Income Tax Earmarking | 437,131 | 455,174 | 18,043 | 4.1% | \$1,985,600 | \$2,051,000 | \$2,041,400 |
| \$823,095 | \$820,696 | (\$2,399) | -0.3% | TOTAL SCHOOL AID FUND | \$3,299,597 | \$3,402,050 | \$102,454 | 3.1% | \$10,909,700 | \$11,233,100 | \$11,230,900 |
| | | | | | | | | | | | |
| \$579,286 | \$525,674 | (\$53,612) | -9.3% | SALES TAX 6% | \$1,682,893 | \$1,627,896 | (\$54,996) | -3.3% | \$6,599,100 | \$6,905,000 | \$6,799,800 |
| 393,207 | 361,987 | (31,220) | -7.9% | SALES TAX 4%(d) | 1,142,981 | 1,112,637 | (30,345) | -2.7% | 4,483,400 | 4,691,400 | 4,624,900 |
| 186,079 | 163,687 | (22,391) | -12.0% | SALES TAX 2% | 539,911 | 515,259 | (24,652) | -4.6% | 2,115,700 | 2,213,600 | 2,174,900 |
| 124,467 | 107,272 | (17,195) | -13.8% | USE TAX 6% | 335,987 | 336,511 | 524 | 0.2% | 1,402,300 | 1,445,500 | 1,442,300 |
| 11,307 | 12,660 | 1,353 | 12.0% | CASINO WAGERING TAX | 23,605 | 38,148 | 14,543 | 61.6% | 145,800 | 149,000 | 149,400 |
| 95,948 | 95,802 | (147) | -0.2% | TOBACCO TAXES | 296,046 | 295,322 | (724) | -0.2% | 1,179,900 | 1,145,500 | 1,161,500 |
| 5 | 0 | (5) | -100.0% | TOBACCO SETTLEMENT | 5 | 3,116 | 3,110 | 57177.0% | na | na | na |
| 0 | 0 | 0 | na | CIGARETTE INVENTORY TAX | (260) | 0 | 260 | na | na | na | na |

continued

Revenue Summary 2005-06
General Fund-General Purpose, School Aid, and Transportation Funds
(in thousands)

For The Month Ended: December 31, 2005

| MONTH-END CASH COLLECTIONS DATA | | | | OCTOBER THROUGH DECEMBER CASH COLLECTIONS DATA | | | | | REVENUE PROJECTIONS | | | |
|---------------------------------|-----------|------------|---------|--|--------------|-----------|------------|---------|---------------------|-------------|-------------|-----------|
| December | | Difference | | SOURCE OF REVENUE | Year-to-Date | | Difference | | 2004-2005 | 2005-2006 | 2005-2006 | |
| 2004 | 2005 | Amount | Percent | | 2004-05 | 2005-06 | Amount | Percent | Actual | Statutory | Jan 2006 | |
| Totals | | | | | | | | | | | Estimate | Consensus |
| Major Transportation Revenues | | | | | | | | | | | | |
| \$13,718 | \$16,105 | \$2,387 | 17.4% | Diesel Fuel / Motor Carrier Fuel Tax (g) | \$38,846 | \$39,273 | \$426 | 1.1% | \$146,308 | \$151,100 | \$153,000 | |
| 78,163 | 76,138 | (2,025) | -2.6% | Gasoline | 234,238 | 226,158 | (8,080) | -3.4% | 922,368 | 942,000 | 927,700 | |
| 58,668 | 58,482 | (187) | -0.3% | Motor Vehicle Registration | 184,257 | 182,032 | (2,225) | -1.2% | 863,367 | 891,300 | 899,000 | |
| 3,625 | 2,958 | (668) | -18.4% | Other Taxes, Fees & Misc. | 14,779 | 9,912 | (4,866) | -32.9% | 221,060 | 190,013 | 201,484 | |
| 4,712 | 6,399 | 1,687 | 35.8% | Comprehensive Transportation (c) | 14,137 | 19,198 | 5,062 | 35.8% | 62,749 | 76,793 | 68,628 | |
| \$158,887 | \$160,082 | \$1,195 | 0.8% | TOTAL MAJOR TRANS. REVENUES | \$486,256 | \$476,573 | (\$9,683) | -2.0% | \$2,215,852 | \$2,251,205 | \$2,249,811 | |
| Lottery Sales By Games (b) | | | | | | | | | | | | |
| 58,518 | 60,682 | 2,164 | 3.7% | Instant Games | 160,980 | 166,690 | 5,710 | 3.5% | na | na | na | |
| 58,584 | 55,265 | (3,319) | -5.7% | Daily Games | 168,955 | 157,893 | (11,063) | -6.5% | na | na | na | |
| 17,539 | 18,253 | 715 | 4.1% | Lotto and Big Game | 63,335 | 82,332 | 18,996 | 30.0% | na | na | na | |
| 1,010 | 1,111 | 101 | 10.0% | Keno Game | 2,991 | 3,259 | 268 | 9.0% | na | na | na | |
| 0 | 0 | 0 | na | Changeplay Game | 0 | 0 | 0 | na | na | na | na | |
| 26,517 | 35,344 | 8,826 | 33.3% | Club Games | 78,098 | 101,143 | 23,045 | 29.5% | na | na | na | |
| \$162,167 | \$170,654 | \$8,487 | 5.2% | TOTAL LOTTERY SALES | \$474,360 | \$511,317 | \$36,957 | 7.8% | na | na | na | |

a GF-GP Sales has been estimated based on CTF and Health Initiative shares.

b The statutory estimate does not include an estimate of lottery sales. It only includes an estimate of the SAF transfer. The transfers shown are actual transfers from Lottery to SAF.

c The CTF distributions have been estimated (includes sales tax transfer and other miscellaneous revenues dedicated to the CTF).

d 2% collections adjusted to reflect exemption on residential utilities.

e Official CAFR figures are adjusted to put them on a comparable basis with Consensus Estimates.

f Non-tax revenue estimates other than interest are estimates.

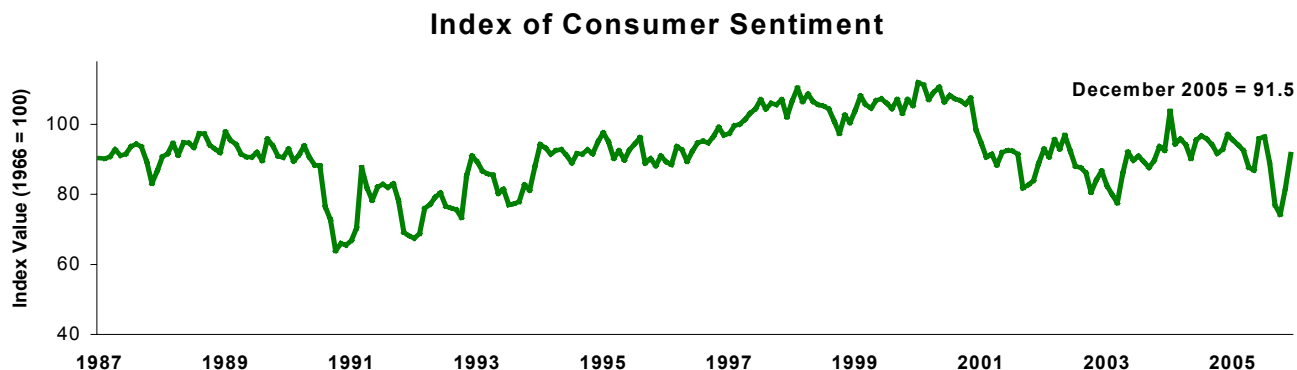
g Starting in January 2005 totals include revenue from the Motor Carrier Fuel Tax. Prior year totals have been adjusted to also include the Motor Carrier Fuel Tax.

Source: Michigan Department of Treasury, Economic and Revenue Forecasting Division, based on reports from the Office of Financial Management, Michigan Department of Management and Budget, and other reports from the Michigan Department of Treasury.

Economic Highlights

(All data seasonally adjusted unless otherwise noted.)

U. S. Economy



Source: University of Michigan, Survey Research Center

The **Index of Consumer Sentiment** was 91.5 in December, 9.9 index-points above the November value but 5.6 index-points below December 2004. Survey director Richard Curtin reported, “The surge in confidence over the past two months reversed all the losses since Katrina, nearly regaining the 2005 peak of 96.5 recorded in July. The recent gain was primarily due to gas prices dropping by an unexpected large amount.” However, about future expected gasoline prices, Curtin noted that, “Unfortunately, few consumers think that gas prices will continue to fall. Indeed, as gas prices fell during the past few months, consumers have anticipated larger future increases.” On home buying purchases, Curtin reported, “Favorable attitudes toward home buying conditions fell in December. Among all consumers, 60 percent held favorable home buying attitudes in December, down from 64 percent one month earlier and 78 percent one year earlier. The decline in home buying attitudes was due to widespread perceptions of high home prices and rising mortgage rates.” In December, consumers in all four regions reported an increase in confidence. Western consumers reported the largest increase in confidence of 19.9 index-points, followed by Northeastern consumers at 9.2 index-points and Southern consumers with a 6.8 index-point increase. Midwestern consumers reported the smallest increase in confidence at 6.3 index-points. The gap across regions increased from last month to 17.6 index-points, with Western consumers on top and Midwestern consumers on the bottom.

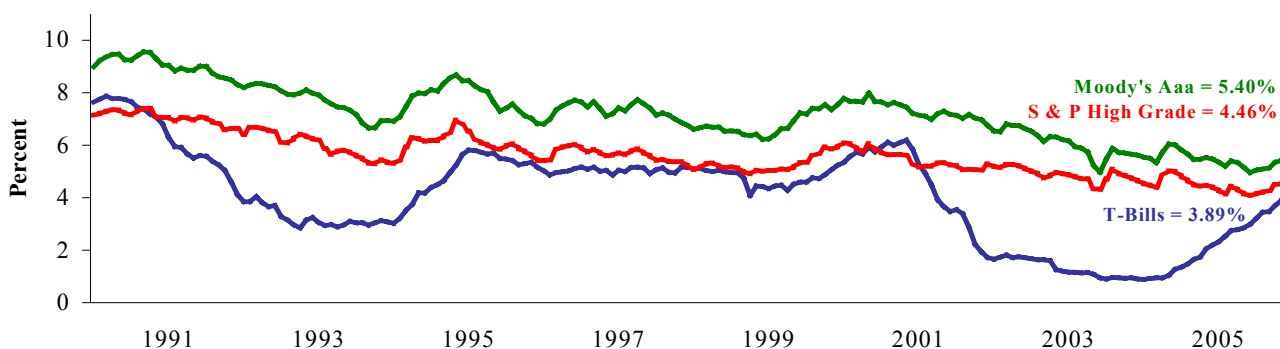
The final estimate of real **Gross Domestic Product** for the third quarter of 2005 is \$11,202.3 billion (chained 2000 dollars), an increase of 4.1 percent at an annual rate. In the second quarter of 2005, real gross domestic product increased 3.3 percent. Personal consumption expenditures, equipment and software, federal government spending and residential fixed investment led third quarter growth. Imports, which are a subtraction in calculating GDP, increased. Real personal consumption expenditures increased 4.1 percent in the third quarter compared to an increase of 3.4 percent in the second quarter. Real residential fixed investment increased 7.3 percent in the third quarter compared to an increase of 10.8 percent in the second quarter. Real nonresidential fixed investment increased 8.5 percent in the third quarter led by increased investment in equipment and software of 10.6 percent. Real federal government expenditures increased 7.4 percent in the third quarter, compared to an increase of 2.4 percent in the second quarter. Real state and local government spending increased 0.2 percent in the third quarter compared to a 2.6 percent increase in the second quarter. Exports of goods and services increased 2.5 percent in the third quarter, compared to a 10.7 percent increase in the

second quarter. Imports increased 2.4 percent in the third quarter compared to a decrease of 0.3 percent in the second quarter. Private inventory investment fell \$13.3 billion in the third quarter, down from a \$1.7 billion decrease in the second quarter. Real final sales increased at a 4.6 percent rate in the third quarter compared to a 5.6 percent rate in the second quarter. On the inflation front, the **implicit price deflator** increased at a 3.3 percent annual rate in the third quarter, compared to an increase of 2.6 percent observed in the second quarter.

U. S. retail prices, as measured by the Consumer Price Index (CPI-U), decreased 0.1 percent in December, up from a 0.6 percent decrease in November. Energy decreased by 2.2 percent in December; compared to a 8.0 percent decrease in November, while the all-items less food and energy component increased 0.2 percent. For the six months since June, the all-items index increased at a 3.7 percent annual rate.

Compared to December 2004, the all-items index increased 3.4 percent. For major component groups, the unadjusted increases from one year ago were: food and beverages, 2.3 percent; housing, 4.0 percent; medical care, 4.3 percent; recreation, 1.1 percent; education and communication, 2.4 percent; and other goods and services, 3.1 percent, with tobacco prices up 5.8 percent; transportation 4.8 percent, with gasoline prices up 16.1 percent. The unadjusted decreases from one year ago were: apparel, 1.1 percent.

Selected Key Interest Rates

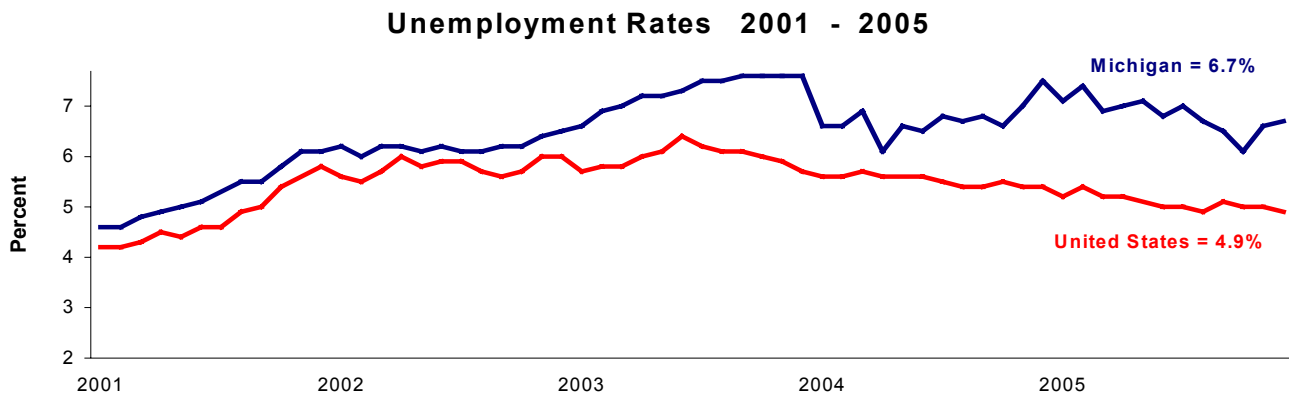


Source: Economic Indicators

Short-term **interest rates** decreased 0.01 percentage points in December as the 3-month Treasury bill (T-bill) rate averaged 3.89 percent. Compared to one year ago, the T-bill rate is up 1.69 percentage points. Long-term interest rates, such as the Aaa corporate bond rate, decreased 0.02 percentage points to an interest yield of 5.40 percent in December. Compared to one year ago, the Aaa bond yield is down 0.07 percentage points. The interest rate on High-grade municipal bonds decreased 0.07 percentage points to 4.46 percent in December, and stands 0.06 percentage points above its year ago level. The Federal Open Market Committee (FOMC) raised the federal funds rate by 25 basis points at its December 13th meeting to 4.25 percent. The FOMC stated that despite elevated energy prices and hurricane-related disruptions, the expansion in economic activity appears solid. The FOMC judges that, “some further measured policy firming is likely to be needed to keep the risks to the attainment of both sustainable economic growth and price stability in balance.” The committee “will respond to changes in economic prospects as needed to foster these objectives.”

In December, the **U. S. unemployment rate** decreased 0.1 percentage points from a month ago to 4.9 percent and was down 0.5 percentage points from one year ago. Civilian employment totaled 142.8

million persons in December, up 0.2 million from November. The number of unemployed was 7.4 million nationwide.



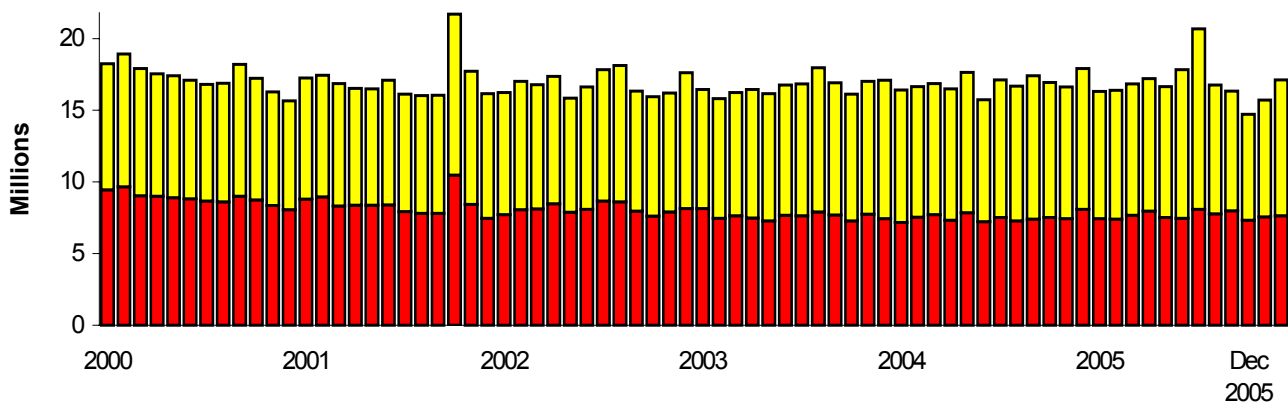
Source: Bureau of Labor Statistics and Michigan Department of Labor & Economic Growth, Employment Service Agency

In December, the **Michigan jobless rate** increased 0.1 percentage points to 6.7 percent. Compared to a year ago, Michigan's jobless rate was 0.8 percentage points lower. From a month ago, the labor force increased by 5,000 to 5,139,000, while the number of people employed decreased by 2,000 to 4,795,000. In December, there were 344,000 unemployed people. Monthly unemployment rates fluctuate due to statistical sampling errors. Therefore, the three-month average of 6.4 percent may be a better measure of actual conditions.

Detroit retail prices, as measured by the Consumer Price Index (CPI-U), decreased 1.4 percent from October to December, compared to a 1.5 percent increase from August to October. The all-items less food and energy index decreased 0.9 percent from October to December. The food index decreased 0.2 percent from October to December while the energy index decreased 6.4 percent. Compared to December 2004, the all-items index increased 3.8 percent. For individual component items, the increases from one year ago were: food and beverages, 2.3 percent; housing, 4.8 percent; transportation, 8.1 percent; medical care, 4.2 percent; education and communication 2.2 percent; other goods and services, 1.6 percent; the unadjusted decreases were: apparel, 5.8 percent.

Motor Vehicle Sector

U. S. Light Vehicle Sales



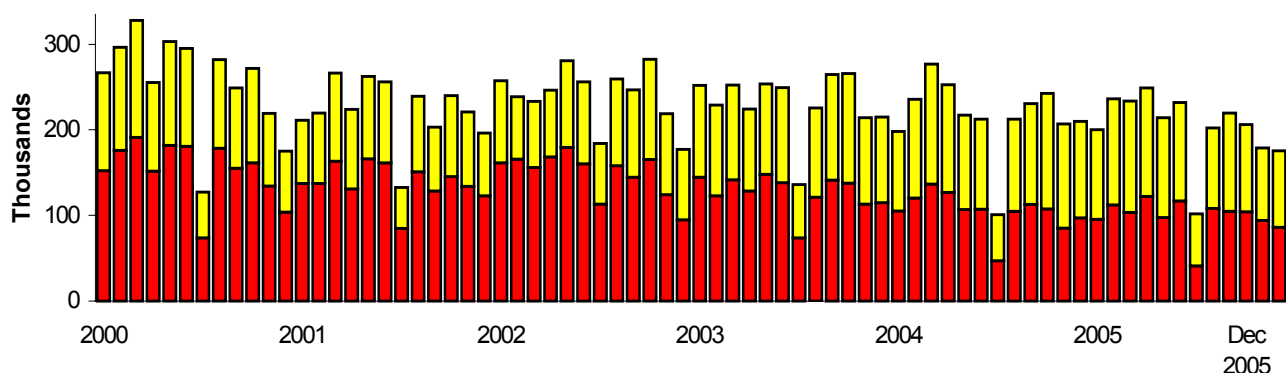
Source: Bureau of Economic Analysis

■ Cars ■ Lt Trucks

U. S. light vehicle sales (cars + light trucks) increased 1.4 million units in December selling at a 17.1 million unit seasonally adjusted annual rate. Domestic car sales decreased 4.4 percent while domestic light truck sales increased 17.3 percent. Import car sales increased 15.1 percent while import light truck sales increased 12.6 percent. Compared to last year, light vehicle sales decreased 4.3 percent. Domestic car sales were down 8.7 percent while domestic light truck sales decreased 3.2 percent. Import car sales were up 2.9 percent while import truck sales fell 4.4 percent from last year. As a result, the domestic share decreased 1.0 percentage points from a year ago. For fiscal year 2006 year-to-date, domestic light vehicles have recorded a 78.7 percent share of a 15.8 million-unit market.

Michigan motor vehicle production decreased to 175,638 units in December. From a year ago, motor vehicle production decreased 16 percent in Michigan and fell 7 percent nationally. In December, Michigan's car production was 86,217 units while the state's truck production was 89,421 units. Compared with a year ago, car production fell 11 percent in Michigan and remained unchanged nationwide. The state's truck production decreased 21 percent while national truck production fell 10 percent from a year ago. Michigan motor vehicle production data are not seasonally adjusted.

Michigan Motor Vehicle Production



Source: Economic and Revenue Forecasting Division

■ Cars ■ Trucks

**Summary Estimates of the Constitutional Revenue Limit
Based on the January 12, 2006 Consensus Revenue Agreement
(Article IX, Section 26)
(in millions)**

| | Fiscal Year 2003-2004 Actual | Fiscal Year 2004-2005 Estimate | Fiscal Year 2005-2006 Estimate |
|--|---|---|---|
| Applicable Calendar Year Personal Income | \$303,745 | \$314,460 | \$324,134 |
| Section 26 Base Ratio | 9.49% | 9.49% | 9.49% |
| Revenue Limit | \$28,825.4 | \$29,842.3 | \$30,760.3 |
| Revenue Limit | \$28,825.4 | \$29,842.3 | \$30,760.3 |
| State Revenue Subject to Limit | \$24,384.7 | \$24,949.8 | \$25,294.5 |
| Amount Under (Over) Limit | \$4,440.7 | \$4,892.4 | \$5,465.8 |

Sources:

Personal Income Estimate

The FY 2003-04 calculation uses the official personal income estimate for calendar year 2002 (Survey of Current Business, August 2003).

The FY 2004-05 calculation uses the official personal income estimate for calendar year 2003 (Survey of Current Business, September 2004).

The FY 2005-06 calculation uses the official personal income estimate for calendar year 2004 (Survey of Current Business, October 2005).

Revenue Subject to the Limit

The FY 2003-04 calculation uses the State of Michigan Statement of Revenue Subject to Constitutional Limitation - Legal Basis for the Fiscal Year Ended September 30, 2004.

The FY 2004-05 calculation uses the January 12, 2006 Consensus Revenue Agreement.

The FY 2005-06 calculation uses the January 12, 2006 Consensus Revenue Agreement.

Prepared By: Economic and Revenue Forecasting Division, Michigan Department of Treasury